

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name INTERURBAN TRANSIT AUTHORITY	County ALLEGAN
Fiscal Year End 9/30/07	Opinion Date 1/21/08	Date Audit Report Submitted to State 1/22/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

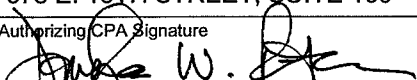
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	As part of audit report	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) FERRIS, BUSSCHER & ZWIERS, P.C.		Telephone Number (616) 392-8534	
Street Address 675 E. 16TH STREET, SUITE 100		City HOLLAND	State MI
		Zip 49423	
Authorizing CPA Signature 		Printed Name DOUGLAS W. ROTMAN	License Number 1101019033

INTERURBAN TRANSIT AUTHORITY

COUNTY OF ALLEGAN, MICHIGAN

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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Independent Auditors' Report

January 21, 2008

Board of Directors
Interurban Transit Authority
Douglas, Michigan

We have audited the accompanying financial statements of Interurban Transit Authority, County of Allegan, Michigan as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Interurban Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Authority, County of Allegan, Michigan as of September 30, 2007 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2008 on our consideration of Interurban Transit Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Management has elected to omit the Management's Discussion and Analysis from the required supplementary information.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Interurban Transit Authority's basic financial statements. The supplementary Schedules 1-6 are presented for purposes of additional analysis as required by the Michigan Department of Transportation, and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Funding Progress – Employee Retirement System has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ferris, Busscher & Zwiars, P.C.

FERRIS, BUSSCHER & ZWIERS, P.C.
Certified Public Accountants
Holland, Michigan

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Assets

Current assets:

Cash and equivalents	\$ 76,756
Investments	115,000
Due from federal and state governments	83,552
Other receivables	17,860
Interest receivable	146
Prepaid insurance	<u>4,931</u>
Total current assets	298,245

Property and equipment, net	248,599
Prepaid retirement contribution	<u>56,255</u>

Total assets	<u><u>\$ 603,099</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 16,890
Employees' funds withheld	2,701
Accrued wages, payroll taxes and compensated absences	<u>12,798</u>
Total current liabilities	32,389

Net assets:

Invested in capital assets	248,599
Unrestricted	<u>322,111</u>
Total net assets	<u>570,710</u>

Total liabilities and net assets	<u><u>\$ 603,099</u></u>
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**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2007**

Operating Revenues	
Demand response (farebox)	\$ 52,314
Operating Expenses	
Operations	421,256
Maintenance	73,893
General administration	<u>157,252</u>
Total operating expenses	<u>652,401</u>
Operating loss	(600,087)
Nonoperating Revenues	
Tax levy	189,190
State operating grants	223,513
Federal operating grants	98,335
Gain on disposal of capital assets	1,700
Interest income	<u>9,429</u>
Total nonoperating revenues	<u>522,167</u>
Loss before contributions	(77,920)
Capital Contributions	
State and federal grants	<u>48,347</u>
Change in net assets	(29,573)
Net assets - October 1	<u>600,283</u>
Net assets - September 30	<u><u>\$ 570,710</u></u>

See notes to financial statements

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2007**

Cash Flows from Operating Activities

Received from user charges	\$ 48,382
Payments to employees for services	(306,651)
Payments to suppliers for goods and services	(140,868)
Other payments	(128,135)
Net cash used by operating activities	<u>(527,272)</u>

Cash Flows from Noncapital Financing Activities

Nonoperating grants received	<u>477,420</u>
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Cash Flows from Capital and Related Financing Activities

Proceeds from the disposal of capital assets	1,700
Purchase of capital assets	(51,292)
Capital grants received	49,036
Net cash used by capital and related financing activities	<u>(556)</u>

Cash Flows from Investing Activities

Interest income	10,513
Proceeds from sale of investments	95,044
Purchase of investments	(115,000)
Net cash used by investing activities	<u>(9,443)</u>

Net decrease in cash	(59,851)
Cash and equivalents balance - October 1	136,607
Cash and equivalents balance - September 30	<u>\$ 76,756</u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	\$ (600,087)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	75,023
Change in assets and liabilities:	
Receivables	(13,823)
Prepays	1,161
Accounts payable and accrued liabilities	10,454
Net cash used by operating activities	<u>\$ (527,272)</u>

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

1. Summary of Significant Accounting Policies

Interurban Transit Authority is organized as a non-profit corporation. The incorporating municipalities include the City of Saugatuck, City of the Village of Douglas and Saugatuck Township. The Authority has the capability and the authority to provide public transportation to the general public.

Basis of Accounting

The Authority is accounted for in a proprietary fund which accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to proprietary funds of governmental units, and, accordingly, the accrual basis of accounting and economic resource measurement focus are followed. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperation items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance. The government has elected not to follow subsequent private-sector guidance.

The following is a summary of the more significant accounting policies:

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include property, plant and equipment with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are stated at cost or fair value at the date of purchase/gift. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as defined in the R&E Manual and/or as approved by BPT.

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

1. Summary of Significant Accounting Policies (Continued)

The eligible depreciation of \$6,972 (\$75,023 total depreciation reported in PTMS code 51300 for Nonurban less ineligible depreciation of \$68,051 reported in the PTMS code 55007 Ineligible Depreciation) includes only the depreciation of assets purchased with local funds and where the useful lives of the assets purchased has been approved by BPT. An additional amount of ineligible depreciation of \$1,441 for federal purposes (on Schedule 5 in the supplementary information section) is for cost overruns on the facility purchased with federal and state funds.

Capital assets are depreciated over the following useful lives:

Land improvements	10
Operating facility	20
Revenue vehicles	5-7
Office equipment	5-10
Yard equipment	5

Compensated Absences (Vacation and Sick Leave)

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly. Vacation leave must be used within 18 months after it has been earned. Any unused vacation time at the time of termination will be paid to the employee.

Sick leave is earned at a rate of five days per year. It cannot be accumulated from year to year.

Vacation or sick leave utilized during the year is recorded as a current expense. At year end, each employee's accumulated vacation leave is computed by applying their current rate of pay times total accumulated hours. The composite dollar total for all employees is entered as an accrued liability by an applicable adjusting entry posted to the liability and expense account.

Restricted Net Assets

The Authority's policy is to first apply restricted resources when an expense is incurred for which restricted and unrestricted net assets are available.

Advertising Costs

The Authority expenses all advertising costs as incurred. Advertising expense was \$12,324 for the year ended September 30, 2007.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

2. Deposits and Investments

Michigan Compiled Laws, Sections 129.91 authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Authority Board has designated three banks for the deposit of Authority funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997.

At year-end the Authority's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 76,756
Investments	<u>115,000</u>
Total	<u>\$ 191,756</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 191,696
Petty cash and cash on hand	<u>60</u>
Total	<u>\$ 191,756</u>

The bank balance of the Authority's deposits is \$197,228 of which \$197,228 is covered by federal depository insurance and \$0 uninsured and uncollateralized.

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

3. Capital Assets

Capital assets consist of the following as of September 30, 2007:

	Purchased With Interurban Funds	Purchased With Capital Grants	Total
Land	\$ 31	\$ 27,500	\$ 27,531
Land improvements	17,732	-	17,732
Operating facility	81,686	330,571	412,257
Revenue vehicles	3,009	466,931	470,850
Office equipment	10,642	34,395	45,037
Yard equipment	8,395	31,699	40,094
Subtotal	121,495	891,096	1,013,501
Less accumulated depreciation	(93,594)	(671,308)	(764,902)
Totals	<u>\$ 27,901</u>	<u>\$ 219,788</u>	<u>\$ 248,599</u>

Capital asset activity for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 27,531	\$ -	\$ -	\$ 27,531
Capital assets being depreciated:				
Land improvements	17,732	-	-	17,732
Operating facility	412,257	-	-	412,257
Revenue vehicles	480,354	50,776	(60,280)	470,850
Office equipment	44,518	516	-	45,034
Yard equipment	40,094	-	-	40,094
Subtotal	994,955	51,292	(60,280)	985,967
Less accumulated depreciation for:				
Land improvements	10,569	1,045	-	11,614
Operating facility	307,939	21,051	-	328,990
Revenue vehicles	360,798	48,743	(60,280)	349,261
Office equipment	30,756	4,184	-	34,940
Yard equipment	40,094	-	-	40,094
Subtotal	750,156	75,023	(60,280)	764,899
Net capital assets being depreciated	<u>244,799</u>	<u>(23,731)</u>	<u>-</u>	<u>221,068</u>
Total capital assets – net of depreciation	<u>\$ 272,330</u>	<u>\$ (23,731)</u>	<u>\$ -</u>	<u>\$ 248,599</u>

Depreciation expense was \$75,023 for the year ended September 30, 2007.

When federal or state funded assets are withdrawn from a public transportation service, the disposition of the assets are to be determined by the Michigan Department of Transportation.

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

4. Defined Benefit Pension Plan

Plan Description

The Authority's defined benefit pension plan, which consists of participation in the Municipal Employees' Retirement System of Michigan, provides retirement, disability and death benefits to plan members and beneficiaries. The Municipal Employees' Retirement System of Michigan ("System") is an agent multiple-employer pension plan administered by the Retirement Board of the Municipal Employees' Retirement System of Michigan. The authority to establish and amend the benefit provisions of the plan rests with the System's Retirement Board; the provisions of the Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220; and the System's plan document. The Authority adopts its specific benefit provision. The System issues a publicly available financial report that includes financial statements and required supplemental information for the Municipal Employees' Retirement System of Michigan. That report may be obtained by writing to the Municipal Employees' Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy

The Authority's plan members do not contribute to the System. The Authority is required to contribute at an actuarially determined rate. The required contribution for the period October 1, 2006 through September 30, 2007 was based on the annual actuarial valuation as of December 31, 2006. The net rate used was 5.31% of a projected annual covered payroll. The contribution requirements of plan members are selected by the Authority. The contribution requirements of the Authority are established and may be amended by the System's Retirement Board, yet the Authority selects its specific benefit provision.

Annual Pension Cost

For the year ended September 30, 2007, the Authority's annual pension cost of \$13,924 for participation in the System was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal cost method. This funding method has been used since the December 31, 1996 valuation. The assumptions and methods used in the December 31, 2006 actuarial valuation are those adopted by the Retirement Board. The actuarial assumptions were last revised as of December 31, 2000 to reflect the results of the study of plan experience covering the period from December 31, 1993 through December 31, 1998. Prior to then, the attained age normal cost method had been in effect. The actuarial assumptions used in the December 31, 2006 valuation included a long-term net investment yield rate of 8% and projected annual salary increases of 4.5%, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases ranging from 0% to 8.40%. The actuarial value of the Authority's plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis which remains stable at 30 years.

The following is a schedule of annual pension cost and net pension obligation relating to the Authority's participation in the System:

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
09/30/05	\$16,856	100%	\$0
09/30/06	15,175	100	0
09/30/07	13,924	100	0

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

5. Cost Allocation Plans

The Authority has a cost allocation plan approved by the Bureau of Passenger Transportation of the Michigan Department of Transportation for all allocated expenses. The cost allocation is for the nonurban service. This plan has been adhered to in the preparation of the financial statements.

6. Explanation of Ineligible Expenses Per the BPT R&E Manual

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Annual audit costs and depreciation are the costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The Interurban Transit Authority did not incur any expenses associated with Auxiliary Transportation Revenues (40600) or Nontransportation Revenues (40700), therefore, no expenses are subtracted out as ineligible on Schedule 4E (Nonurban) or on Schedule 5. Any capital money used to pay for operating expenses are either subtracted out as ineligible or not included in total expenses to be reimbursed with State Formula Funds.

7. Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees.

The Authority is a member of the Michigan Transit Pool, a public entity risk pool, which provides insurance coverage for State of Michigan transit authorities. As a public entity risk pool, the pool is comprised of a cooperative group of governmental entities that have joined together to finance certain risks. As a participant in this pool, the Authority is insured under a retrospectively rated policy whereby the initial premium is adjusted based on actual experience during the period of coverage. Insurance coverage provided by participation in this pool includes general and automobile liability protection and direct property damage coverage. In addition, liability, property and crime coverage is provided for as a participant in another public entity risk pool, the Michigan Municipal Risk Management Authority. No additional accrual has been made on the books of the Authority as of September 30, 2007 for any potential amounts due as a result of participating in these public entity risk pools.

The Authority purchases commercial insurance for workman's compensation coverage and medical benefits. Settled claims for insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through insurance during the past year.

8. Subsequent Events

The Authority is periodically awarded grants from the Michigan Department of Transportation for the acquisition of revenue vehicles. At September 30, 2007, the Authority had three outstanding grants to purchase vehicles. The capitalized cost of the vehicle and the related income will be recorded when the vehicle is received by the Authority. A schedule of outstanding grants is shown in Schedule 2 in the supplementary information section of the financial statements.

Supplementary Information

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
LOCAL REVENUES
YEAR ENDED SEPTEMBER 30, 2007**

Schedule 1

Demand response - farebox (nonurban)	\$ 52,314
Tax levy	189,190
Gain on sale of fixed asset	1,700
Interest income	<u>9,429</u>
Total	<u>\$ 252,633</u>

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2007**

Schedule 2

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures		Prior Year's Expenditure	Award Amount Remaining
				Total	State		
				Federal			
U.S. Department of Transportation							
Passed through Michigan Department of Transportation							
Operating assistance - Section 5311	20.509	2002-0048	\$ 98,061 \$	98,061 \$	- \$	- \$	-
Federal transit capital grants							
Capital grant - Section 5309 (80/20)	20.500	2002-0048/Z3/R1	101,477	48,347	38,677	9,670	-
Capital grant - Section 5311 (80/20)	20.509	2002-0048/Z8	77,305	-	-	53,130	24,653
Capital grant - Section 5311 (80/20)	20.509	2002-0048/Z10	55,000	-	-	-	55,000
Capital grant - Section 5311 (80/20)	20.509	2007-0229/Z2	61,000	-	-	-	61,000
Michigan Department of Transportation							
Operating assistance - Act 51							
Nonurban	N/A	N/A	225,650	225,650	-	225,650	-
Totals			\$ 618,493 \$	372,058 \$	136,738 \$	235,320 \$	140,653

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
OPERATING AND CONTRACT EXPENSES
YEAR ENDED SEPTEMBER 30, 2007**

Schedule 3

	Nonurban Operations	Total
Labor	\$ 307,449	\$ 307,449
Fringe benefits	129,676	129,676
Audit costs	6,000	6,000
Services	37,318	37,318
Materials and supplies	59,755	59,755
Utilities	10,604	10,604
Insurance	21,657	21,657
Miscellaneous expenses	4,919	4,919
Depreciation	<u>75,023</u>	<u>75,023</u>
Total	<u>\$ 652,401</u>	<u>\$ 652,401</u>

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NONURBAN REGULAR SERVICE REVENUE REPORT
YEAR ENDED SEPTEMBER 30, 2007**

Schedule 4R

Code	Description	Total
401:	Farebox Revenue	
40100	Passenger fares	\$ 52,314
407:	NonTrans Revenue	
40760	Gain on sale of fixed asset	1,700
408:	Local Revenue	
40800	Taxes levied for Transit Agency	189,190
411:	State Formula and Contracts	
41101	State operating assistance	225,650
413:	Federal Contracts	
41301	Section 5311 (operating funds only)	98,061
414:	Other Revenue	
41400	Interest income	<u>9,429</u>
Total		<u><u>\$ 576,344</u></u>

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NONURBAN REGULAR SERVICE EXPENSE REPORT
YEAR ENDED SEPTEMBER 30, 2007**

Schedule 4E

	Operations	Maintenance	General Administration	Total
501: Labor				
50101 Operators' salaries and wages	\$ 159,878	\$ -	\$ -	\$ 159,878
50102 Other salaries and wages	3,838	32,826	46,617	83,281
50103 Dispatchers' salaries and wages	64,290	-	-	64,290
502: Fringe Benefits				
50200 Other fringe benefits	71,771	22,772	21,209	115,752
50201 Pensions	10,308	1,486	2,130	13,924
503: Services				
50302 Advertising fees	-	-	12,324	12,324
50305 Audit costs	-	-	6,000	6,000
50399 Other services	8,924	6,162	9,908	24,994
504: Materials and supplies				
50401 Fuel and lubricants	41,269	161	-	41,430
50402 Tires and tubes	1,855	-	-	1,855
50499 Other materials and supplies	4,805	9,289	2,376	16,470
505: Utilities				
50500 Utilities	1,384	972	8,248	10,604
506: Insurance				
50603 Liability insurance	11,524	-	-	11,524
50699 Other insurance	1,564	-	18,460	20,024
509: Miscellaneous Expenses				
50902 Travel and meetings	-	225	1,815	2,040
50999 Other miscellaneous expenses	996	-	1,883	2,879
513: Depreciation				
51300 Depreciation	48,741	-	26,282	75,023
550: Ineligible Expenses				
55007 Ineligible depreciation	64,820	-	3,231	68,051
55009 Ineligible percent of assoc. dues	-	-	49	49
55008 Other ineligible expenses	9,891	-	30	9,921
Total Expenses				\$ 662,292
Total Ineligible Expenses				\$ 78,021
Total Eligible Expenses				\$ 584,271

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007**

Schedule 4N

Code	Description	(Unaudited) Total
611	Vehicle miles	137,913

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
OPERATING ASSISTANCE CALCULATION
YEAR ENDED SEPTEMBER 30, 2007**

Schedule 5

	Nonurban
Total expenses	\$ 662,292
Less ineligible expenses:	
Depreciation	68,051
Association dues	49
Miscellaneous	30
Refund on insurance policy	9,891
Total ineligible expenses per R&E Manual	<u>78,021</u>
Total state eligible expenses	<u>\$ 584,271</u>

Eligible expenses for state reimbursement	\$ 584,271
x reimbursement percentage (38.6208%)	<u>0.38621</u>
State operating assistance	<u><u>\$ 225,650</u></u>

Total federal eligible expenses

Less additional federal ineligible expenses per A-87:	
Depreciation	\$ 1,441
Audit costs	<u>6,000</u>
Total additional federal ineligible expenses per A-87	<u><u>\$ 7,441</u></u>

Eligible expenses for federal reimbursement	\$ 576,830
x reimbursement percentage (17.0%)	<u>0.17000</u>
Federal Section 5311 operating assistance	<u><u>\$ 98,061</u></u>

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
SCHEDULE OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 31, 2007**

Schedule 6

Internal Control Over Financial Reporting

We identified the following items as significant deficiencies and all were considered to be material weaknesses:

1. **Auditor Adjustments** – While the Authority made some cash to accrual basis adjustments, we proposed, and management approved, additional entries based on our audit.
2. **Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)** – The Authority has limited experience in the preparation of year-end financial statements and relies on the auditors to draft the annual financial statements including related disclosures in accordance with generally accepted accounting principles.
3. **Segregation of Duties** – Due to the Authority's limited resources and personnel, they inherently have difficulty in establishing and maintaining an accounting system with strong internal controls including segregation of duties.

We recommend that the Authority discuss the costs and benefits of implementing controls to overcome the above mentioned material weaknesses.

Compliance and Other Matters

We identified the following items as noncompliance issues:

1. **Quarterly Operating Reports** – The Authority is required to file quarterly operating assistance reports for Section 5311 Operating Assistance within 40 days of the end of the quarter. We noted that the first quarter report was filed 35 days late and the third quarter report was filed 55 days late. The effect of not filing timely reports could result in the loss of operating assistance. We recommend that the Authority put procedures in place to assure timely submission of quarterly reports.
2. **Cash Management** – The Authority's cash balance in the non-interest bearing account was sufficiently large to support 30 days of project expenses from January through August, 2007. The Authority is required to move excess funds to interest bearing investments when balances exceed 30 days of project expenses. The effect of improper cash management could result in the loss of operating assistance. We recommend that the Authority investigate adding an interest bearing sweep component to the checking account in order to invest excess funds.

**INTERURBAN TRANSIT AUTHORITY
COUNTY OF ALLEGAN, MICHIGAN
SCHEDULE OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN**

Actuarial Valuation Rate – December 31	2006	2005	2004
Actuarial value of assets	\$723,433	\$654,544	\$598,063
Actuarial accrued liability	688,828	621,464	581,109
Unfunded AAL	(34,605)	(33,080)	(16,954)
Funded ratio	105%	105%	103%
Covered payroll	219,527	209,253	226,962
UAAL as a percentage of covered payroll	0%	0%	0%

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

January 21, 2008

Board of Directors
Interurban Transit Authority
Douglas, Michigan

We have audited the financial statements of Interurban Transit Authority, County of Allegan, Michigan as of and for the year ended September 30, 2007, which collectively comprise Interurban Transit Authority's basic financial statements and have issued our report thereon dated January 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Interurban Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Interurban Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Interurban Transit Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Interurban Transit Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Interurban Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by Interurban Transit Authority's internal control. We consider the deficiencies described in Schedule 6 of the supplementary information to be significant deficiencies in internal control over financial reporting.

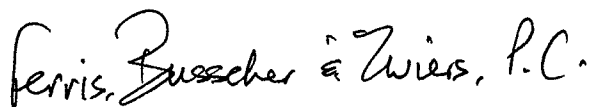
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Interurban Transit Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider all items to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interurban Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Schedule 6 of the supplementary information.

This report is intended solely for the information and use of the management, the board of directors and the Michigan Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.



FERRIS, BUSSCHER & ZWIERS, P.C.
Certified Public Accountants
Holland, Michigan